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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**SEC  
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**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING 01/01/2017 AND ENDING 12/31/2017  
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**NAME OF BROKER-DEALER: **Quarton Securities**

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

**300 Park Street, Suite 480**

(No. and Street)

**Birmingham****MI****48009**

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Andre Augier

248-594-0400

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Carnaghi & Schwark, PLLC**

(Name - if individual, state last, first, middle name)

**30435 Groesbeck HWY****Roseville****MI****48066**

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

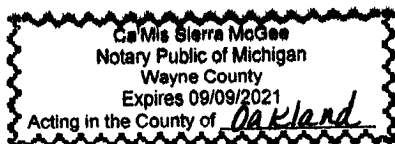
SEC 1410 (06-02)

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## OATH OR AFFIRMATION

I, Andre Augier, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Quarton Securities, as of December 31, 2017, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Ca'Mis Sierra McGee  
Notary Public

[Signature]  
Signature  
Chairman  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Exemption Report

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**QUARTON SECURITIES, L.P.**  
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*December 31, 2017*

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# **Carnaghi & Schwark, PLLC**

**CERTIFIED PUBLIC ACCOUNTANTS**

**UPTON PROFESSIONAL BUILDING**

**30435 GROESBECK HIGHWAY**

**ROSEVILLE, MICHIGAN 48066**

Anthony L. Carnaghi, CPA  
Douglas W. Schwark, CPA

(586) 779-8010  
FAX (586) 771-8970

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Partner of Quarton Securities, L.P.  
Birmingham, Michigan

### **Opinion on the Financial Statements**

We have audited the accompanying financial statements of Quarton Securities, L.P., a Michigan partnership, which comprise the balance sheet as of December 31, 2017 and the related statements of income, changes in partner's capital, and cash flows for the year then ended, and the related notes to the financial statements. In our opinion, the financial statements present fairly, in all material respects, the financial position of Quarton Securities, L.P. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These financial statements are the responsibility of Quarton Securities, L.P.'s management. Our responsibility is to express an opinion on Quarton Securities, L.P.'s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Quarton Securities, L.P. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Supplemental Information**

The supplementary information contained on pages 9 to 11 has been subjected to audit procedures performed in conjunction with the audit of Quarton Securities, L.P.'s financial statements. The supplemental information is the responsibility of Quarton Securities, L.P.'s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Carnaghi + Schwark, PLLC*

We have served as Quarton Securities, L.P.'s auditor since 2014.  
Roseville, Michigan  
February 15, 2018

**QUARTON SECURITIES, L.P.**

**BALANCE SHEET**

*December 31, 2017*

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	<u>2017</u>
<b>ASSETS</b>	
Cash	\$ 40,757
Prepaid expenses	<u>3,750</u>
Total Assets	<u><u>44,507</u></u>
<b>LIABILITIES AND PARTNER'S CAPITAL</b>	
Liabilities:	
Accounts payable	\$ -
Partner's capital	<u>44,507</u>
Total Liabilities and Partners' Capital	<u><u>\$ 44,507</u></u>

*See accompanying notes*

**QUARTON SECURITIES, L.P.**  
**STATEMENT OF INCOME**  
*For the year ended December 31, 2017*

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	<u>2017</u>
REVENUES:	
Success fee revenue	\$ 275,000
Retainer fee revenue	\$ 145,000
Other revenue	<u>171</u>
Total revenue	420,171
EXPENSES:	
Regulatory fees	11,566
General and administrative expenses	<u>9,777</u>
Total expenses	<u>21,343</u>
NET INCOME	<u><u>\$ 398,829</u></u>

*See accompanying notes*

**QUARTON SECURITIES, L.P.**  
**STATEMENT OF CHANGES IN PARTNER'S CAPITAL**  
*For the year ended December 31, 2017*

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	<u>Amount</u>
Balance, December 31, 2016	\$ 10,849
Net income (loss)	398,829
Partner contributions	15,000
Partner distributions	<u>(380,171)</u>
Balance, December 31, 2017	<u>\$ 44,507</u>

*See accompanying notes*

**QUARTON SECURITIES, L.P.**  
**STATEMENT OF CASH FLOWS**  
*For the Year ended December 31, 2017*

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	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Success fee revenue	\$ 420,000
Other revenue	171
Regulatory fees paid	(14,660)
General and administrative expenses	<u>(9,777)</u>
Net cash provided by operating activities	\$ 395,734
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Partner capital contributions	\$ 15,000
Partner capital distributions	(380,000)
Other distributions	<u>(171)</u>
Net cash used in financing activities	<u>\$ (365,171)</u>
 NET INCREASE (DECREASE) IN CASH	 30,563
CASH - BEGINNING OF YEAR	<u>11,135</u>
CASH - END OF YEAR	<u><u>\$ 40,757</u></u>
 Reconciliation of net income to net cash provided by operating activities:	
Net income	\$ 398,829
Adjustments to reconcile net income to net cash provided by operating activities:	
(Increase) decrease in:	
Prepaid expenses	(3,095)
Increase (decrease) in:	
Accounts payable	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 395,734</u></u>

*See accompanying notes*

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Quarton Securities, L.P., formerly HFBE Capital, LP, is a securities broker-dealer registered with the Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission (SEC). The Company provides corporate finance advisory services to public and privately held companies.

On March 28, 2014, Quarton Partners, LLC, the Parent Company, purchased the limited partnership interests of HFBE Capital, L.P. and HFBE Capital G.P. and changed the names to Quarton Securities, L.P. and Quarton Securities G.P., respectively.

**Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Revenue Recognition**

The Company recognizes revenue when services have been rendered based on the terms of the signed engagement letter. The Company recognizes non-refundable retainer fees as revenue upon receipt. Consulting fees are recognized in the month that the fees are billed and services performed. Transaction fees are recognized upon the successful closing of the transaction.

**Federal Income Taxes**

For federal income tax purposes the Company is classified as a partnership. As such, their income is taxed to the partners on their respective returns.

**Subsequent Events**

The Company has evaluated events and transactions for potential recognition or disclosure through February 15, 2018, which is the same date the financial statements were available to be issued.

**Note 2 – TRANSACTIONS WITH PARENT COMPANY**

The Company and Quarton Partners, LLC, the Parent Company, operate under a facilities and services agreement whereby the Parent Company is responsible for all operating and overhead expenses, based on the Parent maintaining adequate resources independent of the Company to pay any costs incurred. The Company is not obligated to repay the Parent for any amounts paid pursuant to the agreement.

**Note 3 – NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1). Based on the provisions of this rule, the Company must maintain net capital equivalent to the greater of \$5,000 or 1/15th of aggregate indebtedness, as defined.

At December 31, 2017, the Company's net capital was \$40,757 and its required net capital was \$5,000. The ratio of aggregate indebtedness to net capital (which may not exceed 15 to 1) was 0.00 to 1.

## **SUPPLEMENTARY INFORMATION**

**QUARTON SECURITIES, L.P.**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
*As of December 31, 2017*

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**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**

**NET CAPITAL**

Total stockholders' equity qualified for net capital	\$ 44,507
Deductions and/or charges:	
Non-allowable assets:	
Prepaid expenses	<u>(3,750)</u>
Net capital	\$ 40,757
Net capital requirement	<u>5,000</u>
Excess net capital	<u>\$ 35,757</u>

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

Total aggregate indebtedness liabilities	<u>\$ -</u>
Percentage of aggregate indebtedness to net capital	<u>0.00%</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION (included in**  
**Part IIA of Form X-17A-5)**

There are no material differences between the preceding computation and the Company's corresponding unaudited Part IIA of Form X-17A-5 as of December 31, 2017.

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS AND**  
**INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS FOR**  
**BROKER-DEALERS UNDER RULE 15c3-3**

The Company is exempt from SEC Rule 15c3-3 under section (k)(2)(i), and therefore, has not presented the Computation for Determination of Reserve Requirements and Information for Possession or Control Requirements.

**Carnaghi & Schwark, PLLC**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Partner of Quarton Securities, L.P.  
Birmingham, Michigan

We have reviewed management's statements, included in the accompanying exemption report, in which Quarton Securities, L.P. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Quarton Securities, L.P. claimed an exemption from 17 C.F.R. §240.15c3-3: k(2)(i) (the "exemption provisions") and Quarton Securities, L.P. stated that they met the identified exemption provisions for the year ended December 31, 2017 without exception. Quarton Securities, L.P.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Quarton Securities, L.P.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(i) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Carnaghi + Schwark, PLLC*

Roseville, Michigan  
February 15, 2018

**Quarton Securities, L.P.**  
**Exemption Report Prepared Pursuant to Securities and Exchange Act of 1934 Rule 17-a 5, Subsection**  
**240.17a-5(d)(1) and (4) of the U.S. Securities and Exchange Commission**  
**December 31, 2017**

**Quarton Securities Exemption Report**

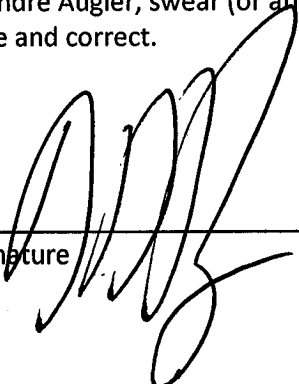
Quarton Securities, L.P. (the, "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. subsection 240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. subsection 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

The Company claimed an exemption from 17 C.F.R. Section 240.15c3-3 under the following provisions of 17 C.F.R. subsection 240.15c3-3; (k)(2)(i) "special account for the Exclusive Benefit of customers" maintained.

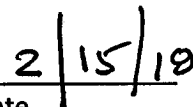
The Company met the identified exemption provisions for the fiscal year ended December 31, 2017 without exception.

Quarton Securities, L.P.

I, Andre Augier, swear (or affirm) that, to the best of my knowledge and belief, this Exemption Report is true and correct.

  
\_\_\_\_\_  
Signature

  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Date